METRO MARKET OUTLOOK

'Most competitive DIY market in West'

Energy boom fuels Denver's explosive growth

DENVER—The Mile High City and surrounding area is one of the fastest growing regions in the country, chiefly the result of Denver's emergence as the energy capital of the West during the late 1970's.

Population in the Denver/Boulder SMSA, according to the 1980 census, is 1,648,600, up from a total of 1,239,545 in 1970.

"This is without a doubt the most competitive market in the West for the home center operator," said a local spokesman for Pay 'N Pak, a chain with four stores in the Denver market.

"Although the home building business isn't what it was two or three years ago, business is still booming from the influx of people brought in by the new energy companies," the spokesman told *NHCN*.

According to the National Assn. of Home Builders, total housing starts in the Denver area for 1981 will be up by 9.6% from 1980 to 17,000. Single-family housing starts will increase by 15.3% to 12,330 for 1981, compared to 10,695 during 1980.

Interest rates on conventional home mortgages in the Denver area during October were 17.89%, slightly below the national average of 18.17%, although up from September's figure of 17.50% and the October 1980 figure of 14.13%.

Much of the housing going up now is in the $400,000-$600,000 price range, according to Economy Lumber buyer Steve Stookesberry, "primarily for executives of the new energy companies."

A spokesman for the Diamond Retail chain told *NHCN* that many homeowners are opting to remodel or renovate, good news for the DIY-oriented home centers. Older houses near downtown Denver are being purchased and restored by the new owners, according to the Diamond spokesman.

An encouraging sign is the slight improvement in the area's Help-Wanted Advertising Index, as compiled by The Conference Board. The October index was 229, up from 222 in September, although still far behind the October 1980 figure of 265. Nationally, the average was 110 this past October.

The top home center chain in the Denver/Boulder area is the Hugh M. Woods, with 10 stores, including four in Denver proper, two in Aurora and one each in Boulder (22 miles northwest), Lakewood, Littleton and Thornton.

The 80% DIY chain had estimated 1981 sales in the Denver market of $70 million. A typical Woods home center carries about 20,000 sku's, with sales per square foot averaging about $216.

Pay 'N Pak operates two stores in Denver proper, one in Aurora and one in Wheat Ridge. The chain is 98% DIY.

According to a local Pay 'N Pak spokesman, the Denver area stores had a record month of November, with sales reportedly 41% over company projections. *NHCN* estimates Pay 'N Pak sales in the Denver area for 1981 at $20 million.

Six Handy Dan stores are located in the area. The 65% DIY units had estimated sales of $30 million during 1981. The stores are located in Denver (three), Aurora, Littleton and Wheat Ridge.

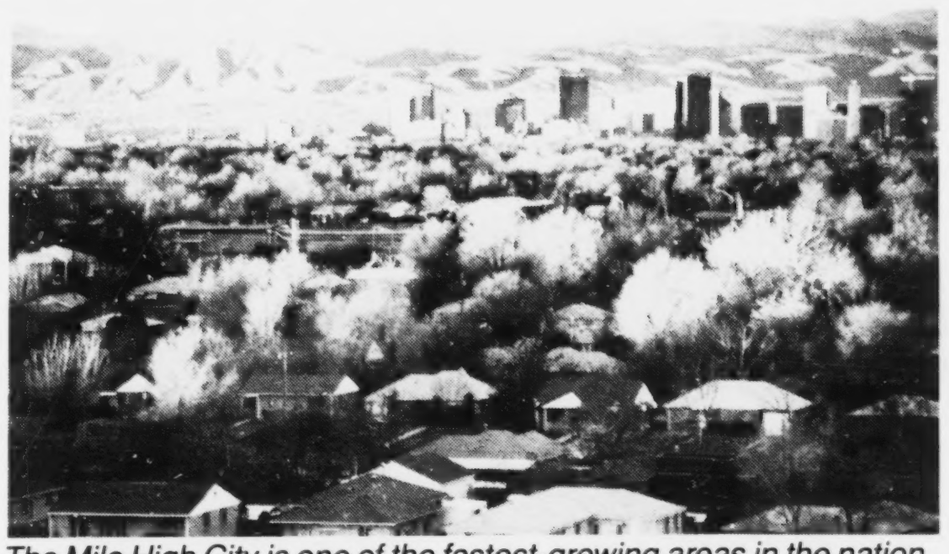
A typical Handy Dan unit encompasses 36,000 sq. ft. and includes 25,000 sku's.

Diamond Retail is making a concerted effort to obtain a larger share of the home improvement market in Denver, said a spokesman. The nationwide chain operates four stores in the area in Boulder, Broomfield, Evergreen and Longmont.

NHCN estimates the company's sales volume in the Denver market at $15 million. The chain's Boulder store was expanded during 1980.

Economy Lumber & Hardware operates two stores in the area, one in Denver and an-

(Continued on page 41)



The Mile High City is one of the fastest-growing areas in the nation, with housing starts up and unemployment down, both attributable to the area's emergence as a major energy center.

Denver market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Hugh M. Woods	10	$70	90
Handy Dan	6	30	95
Pay 'N Pak	4	20	98
Diamond Retail	4	15	28
Payless Cashways	3	21	95
Sutherland Lumber	3	12	NA
Wickes Lumber	2	8	47
Everitt Lumber	1	2	60

Source: NHCN research

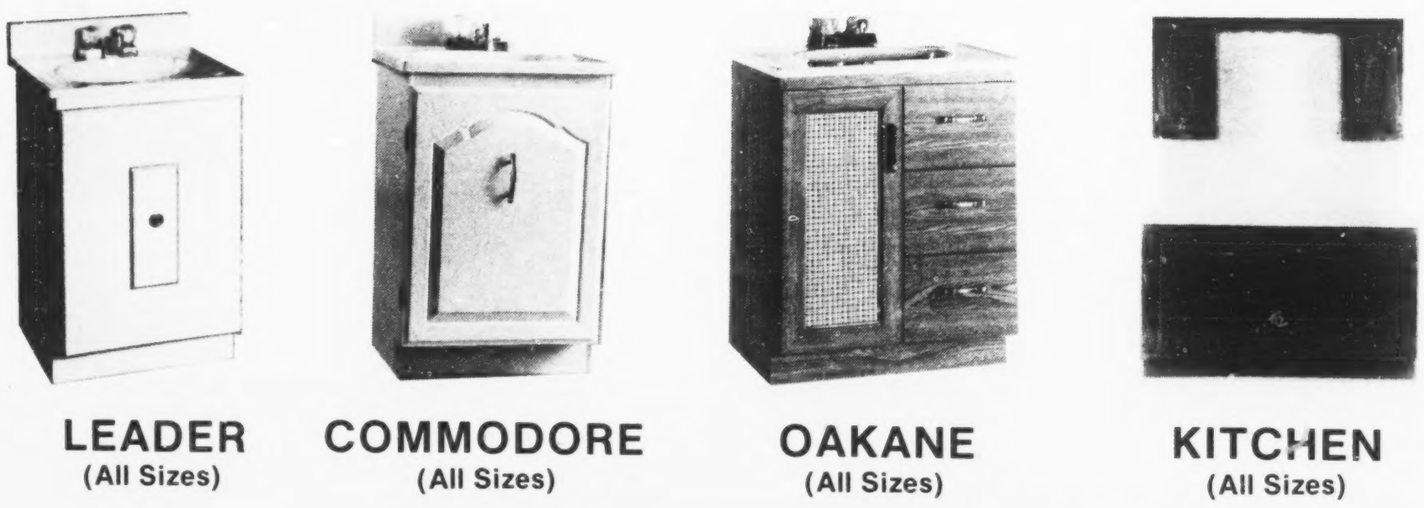
Denver demographics

***Population*—1,648,600**
***Population aged 25-49*—759,000**
***Disposable income*—$15.3 billion**
***Total retail sales*—$8.073 billion**
***Building materials/hardware sales*—$412 million**

Source: Sales and Marketing Management

APRIL DATING!
(Buy Now Pay in April)*

SEE US AT THE NAHB SHOW BOOTH 1901



LEADER (All Sizes) COMMODORE (All Sizes) OAKANE (All Sizes) KITCHEN (All Sizes)

Call Bob Salus

*Subject To Credit Limitations

Commodore Products

COMMODORE

(800)423-5050

In Calif. (213) 700-9000

A DIVISION OF G. J. INDUSTRIES

Headquarters, not expansion, make San Diego the DIY capital

SAN DIEGO—In the eyes of the local media, San Diego is the capital of the home center retailing industry. Based on the number of companies headquartered here, it may well be.

The county is home for Wickes, ranked as the No. 1 home center retailer in the world (*NHCN*, Nov. 23). Handyman, a top-10 home center chain with 80 stores, was born and is headquartered here, as is Weyerhaeuser's five-store Dixieline Lumber.

At a glance, San Diego appears to offer a healthy environment for the home center operator.

Population grew 37% between 1970 and 1980 to 1.9 million and it is expected to reach 2.4 million by 1990. San Diego appears to be a ripe market for DIY since 55% of the county's population is 34 or younger, according to the *San Diego Union Tribune*.

Retail sales, meanwhile, are projected to keep pace with the spiraling population. San Francisco-based Wells Fargo Bank predicts that retail sales in San Diego County will more than triple by 1990. Sales will grow at a 12.6% annual rate, rising from $8.3 billion in 1980, to more than $27 billion by 1990, according to the bank's economic forecast.

Despite its title as the industry's capital, California's second largest city does not appear to head the list as a major expansion target for home center chains, at least not in the near future.

The housing standstill has been bad news for operators such as Dixieline and the county's seven Boise Cascade Building Materials Centers, which sell to both contractors and do-it-yourselfers. Even the 100% DIY home centers have felt a softening of sales during the housing slump, sources say.

In 1980, the number of residential building permits plummeted to 7,371 from a 10-year high of 20,545 in 1977, according to the San Diego Chamber of Commerce's Economic Research Bureau.

Home prices are another problem. The cost of a single-family home in the San Diego metropolitan area averaged $105,700 last January, the fourth highest-priced market in the nation, according to the Federal Home Loan Bank Board.

As a result, home center operators not yet in the market have been hesitant to commit to San Diego.

The market's relative isolation, situated between the ocean and desert, the competition, and the multistore commitment needed to gain a successful foothold are among the reasons given for their hesitation.

It is also significant to note that the chains operating here do not seem to be concentrating their expansion efforts in the San Diego area either.

Wickes, the largest home center operator, has very little representation in San Diego County. The company's 62-unit Builders Emporium chain, the largest home center chain operating solely in California, has only six stores in the San Diego market.

BE's recent expansion has focused on northern California and the southern California counties of Los Angeles and Orange.

Handyman has 10 stores in San Diego County and leads in market share, but the 80-unit chain has been concentrating mainly on spreading its coverage throughout the rest of California and in other Sunbelt communities.

Dixieline Lumber has been expanding in the area, although at a conservative pace. The chain opened its fifth store last summer in the rapidly growing north county area and is planning a sixth unit.

Handyman, Dixieline, Boise Cascade and Builders Emporium together comprise nearly 50% of the market share in the hardware and building materials category, according to local market data for the first six months of 1981.

Dixieline is the fastest-growing in market share, according to the data, but both Boise Cascade and Builders Emporium are also showing modest gains.

Handyman and its 10 area outlets have declined, but still lead the market, ahead of Dixieline by a slight margin.

Other retailers specializing in products that fall into the home center category include a chain of San Diego Paint and Glass stores, 84 Lumber, some strong independents and other home improvement specialty stores such as Standard Brands.

While San Diego is competitive, local operators do not see it as being oversaturated.

"There are markets that are more saturated for us," noted Henry Haimsohn, Handyman vice president of sales.

"I'm not so sure that we don't have an adequate number of stores [in San Diego]," another area home center operator said. "It isn't as competitive as some markets, but certainly if you're not aggressive, you'll fall by the wayside."

"In terms of doing business here, I don't see it as being that different from other areas," Haimsohn added. "It's like many other [rapidly growing] Sunbelt communities. We see the same opportunities because we are located in all Sunbelt communities."

Despite San Diego's relatively "isolated" location, retailers point to the San Diego-Mexico connection. In the year 2000, San Diego will emerge with the Mexican border city of Tijuana to become an international megalopolis with more than five million people.

"Already," a study points out, "the two cities represent the largest binational concentration of money in the world."

Therefore, home center operators are riding out what they say will only be a temporary slowdown here. Most are optimistic and feel sales will soar in the reasonably near future, "assuming," as one home center operator put it, "that we return to normal economic times."

San Diego demographics

***Population*—1,904,900**
***Population aged 25-49*—630,500**
***Disposable income*—$15.6 billion**
***Total retail sales*—$8.1 billion**
***Building materials/hardware sales*—$483.5 million**

Source: Sales and Marketing Management

San Diego market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Handyman	10	$30.0	100
Boise Cascade	7	24.5	55
Builders Emporium	6	18.0	100
Dixieline Lumber	5	55.0	40
84 Lumber	2	3.2	55

Source: NHCN research

Growth is byword for Sacramento DIY market

SACRAMENTO, Calif.—An expanding population set the stage for dynamic home center growth during the 1970's in this northern California market.

Over the last decade, Payless Cashways' Furrow Building Materials, Pay 'N Pak and one of the country's strongest independents, Lumberjack Stores, entered the market and intensified efforts to carve out business along with Handyman, a holdover from the 1960's. More recently, Builders Emporium joined the local DIY battle.

The main attraction has been the area's market potential. Population has increased from 800,000 in 1970 to over a million and a half today and it's still on the rise.

"Sacramento is an active town and it hasn't started growing," said Richard Cushman, retail vice president of Diamond International, which has its retail headquarters in the area.

Observers say Sacramento is about to develop its own Silicon Valley. They talk about firms like Hewlett-Packard moving in and bringing satellite businesses with them.

With some of the northern suburban growth stymied somewhat by foothills, retailers mention the market's eastern section, where Hewlett-Packard has settled, as an area with a solid future. The outlook for the southern and western sections is also optimistic.

"The area has lower-cost housing than southern California or the Bay Area," Cushman explained. "You have all the things needed here to have enormous growth.

"That growth scares some people, though. They want to avoid another San Jose, but the planning has not been as fast as it should be here."

People who like a little more space enjoy Sacramento, noted Burt LeBeck, owner of Indian Valley Lumber.

The area's housing starts remained relatively stable last year from 1980 figures, according to the National Assn. of Home Builders. Total starts numbered 9,400 units, with 6,900 of them single-family dwellings. September unemployment statistics closely rivaled the national figure of 7.3%.

For DIY dealers, however, Sacramento may not be the easiest place to do business. Sacramento's residents are price-conscious, they say.

"Sacramento is a cheap market," indicated LeBeck, explaining that dealers must offer good prices to compete. "Some people here go for inferior merchandise. We continually battle that. We offer quality and we often aim at the new residents who are used to quality products."

Jay Steiner, vice president of Lumberjack, expressed similar feelings and noted, "People here scrutinize their purchases and I think that's because of the state government [based in Sacramento] and the conservative base." Retailers in San Jose, for example, can sell building materials for 10% to 15% higher than in Sacramento, he said.

He added that consumers in Sacramento are interested in service. Lumberjack, which started in 1970 and is now the No. 1 DIY retailer in the market, keys on service.

Steiner pointed out that the six-unit chain offers clinics regularly and recently sponsored a home and gift show.

The chain's six units in the market average 30,000 sq. ft. indoors and generate $55 million-$60 million in sales, 90% with DIYers.

"Lumberjack is the most effective dealer in the market," said Cushman. "You can tell by the number of cars in their parking lots. They have excellent retail locations, frequent tabs and television ads. During evening movies, their ads probably come on five times."

Lumberjack currently plans two or three more units in the market, Steiner said. One of them will likely come in the southern suburbs.

Diamond International operates five units in the market, but the stores do only 30% of their $25 million sales with DIYers. Retail business, however, is destined to increase as a percentage of total sales, Cushman indicated.

Diamond's Roseville store did 50% more consumer volume in 1981 than it did in 1980 while its Rancho Cordova outlet has not reached its full DIY potential, Cushman noted.

Although Diamond's North Highlands unit is the chain's best store in the area by virtue of its 85% contractor business, Cushman said the store holds clinics that draw up to 100 persons.

Diamond's future sights for Sacramento are aimed at Elk Grove.

"We own land there and we hope to build there when the cycles change," Cushman said. "There are many thousands of homes planned there. It'll do a lot of do-it-yourselfer business."

Handyman has been in the Sacramento area the longest among the major chains and now operates four outlets doing $3 million-$4 million each in the market.

The chain's stores are reportedly in excellent retail locations and they are well advertised. A competitor mentioned that they are not hurt significantly by their higher prices.

Builders Emporium is the newcomer to the market with three units formerly operated as Tempo stores. The units are not convenient for large ticket business, however, according to one source.

Payless Cashways has two Furrow units here, the same number as 84 Lumber. Both chains feature strength in lumber and building materials and competitive pricing.

Pay 'N Pak opened its fourth Sacramento area unit in 1981 and Pay 'n Save owns two units in the market.

Among the strongest independents here are Indian Valley Lumber, Reed's Lumber and the Dry Creek Boys.

Sacramento demographics

***Population*—1,031,200**
***Population aged 25-49*—365,000**
***Disposable income*—$9.4 billion**
***Total retail sales*—$4.9 billion**
***Building materials/hardware sales*—$317.5 million**

Source: Sales and Marketing Management

Sacramento market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Lumberjack	6	$60	90
Diamond International	5	25	30
Handyman	4	15	100
Pay 'N Pak	4	10	98
Builders Emporium	3	7	100
Furrow Building Materials	2	10	95
84 Lumber	2	4	55
The Dry Creek Boys	2	4	100
Indian Valley Lumber	1	3	95
Reed's Lumber	1	5	25

Source: NHCN research

READ CLASSIFIED ADS

METRO MARKET OUTLOOK

Independents dominate price-sensitive Philly

PHILADELPHIA—The City of Brotherly Love belies its name when it comes to home center retailing.

In the words of one Philadelphia dealer, the city is "very discount-oriented, very cut-throat."

Independents. who offer low prices, dominate the market at least within the city's limits, but major chains, aside from Channel Home Centers and Hechinger's budding 15-store expansion, have also restricted their growth in suburban Philadelphia.

"You're dealing with a lot of unsophisticated business people here," said Sylvan Cohen, president of two-unit Sylvan Build-In. "They're used to a lot of old-line lumber methods. Others who came in from other types of businesses didn't understand it. So, they decided to compete with low prices.

"I have a brother on the West Coast and people there say that Philadelphia is the toughest market."

The city's residents have become used to quality at low prices too.

"No one looks to spend much money," Cohen said. "When they come to the store, they have a price in mind already, and they'll shop around to make their major purchases."

The discount image often lures New Jerseyites across the Delaware River, especially for major purchases, and helps Philadelphia dealers' sales. Retailers, however, don't expect Philadelphians to cross the state line.

In addition, it's apparent that when Philadelphians make up their minds to tackle a DIY project, they don't put it off at all.

"You can't run on the 'I'll get it for you,' " philosophy, related Sandy Roland, president of Price-Rite Home Supply, another independent. "People want the goods now."

In addition, as Steve Erlbaum, a partner in Mr. Good Buys, which operates one of its three stores in Philadelphia, tells it, neither retailers nor consumers are too willing to make changes. The city had the first supermarket [Food Fair] and the first department store [John Wanamaker's] and "whoever opened first had the business," Erlbaum said.

"A&S and Bloomingdale's are now forcing John Wanamaker's to upgrade," he added. "As for the consumers here, in terms of decoratives, they're behind the times."

In terms of home centers, independents apparently reign, and chains must do their homework before entering.

"Chains find a lot of competitors that they never knew existed when they came here," Erlbaum said, "because those competitors don't do much advertising."

Mr. Good Buys, Sylvan Build-In and Price-Rite are examples of strong Philadelphia independents which cater to the market.

As Erlbaum describes it, Mr. Good Buys is "a big ticket retailer" specializing in kitchens, vanities, floor coverings, doors, lumber and millwork. Its warehouse-type operation, promoted through cluttered but apparently successful newspaper advertising and television ads, did about $5 million in volume last year.

"Mr. Good Buys is operating correctly," Cohen says. "The market reacts well to discounting and Mr. Good Buys is doing it right."

Cohen has cut his operations with the closing of units in Philadelphia and Pennsauken, N.J., leaving him with two Philadelphia stores. He explained that he tried to specialize and just show products rather than stock them extensively in the two closed stores. His dream of "small stores with low expenses" was shattered by Philadelphians' desire for products to take home immediately.

"I'm changing my way of doing business," he said. "In our Rising Sun Avenue store, I'm only buying what we can be successful with. We'll knock down the costs and key on specials.

"In our western Philadelphia store, we'll stick to neighborhood items and advertise some special goods. So, we'll buy standard goods, be competitively priced and have specials to keep the business coming in

(Continued on page 41)

Chains have trouble competing against Philadelphia's discount-oriented independents which dominate the market, especially within the city limits.

Philadelphia market coverage

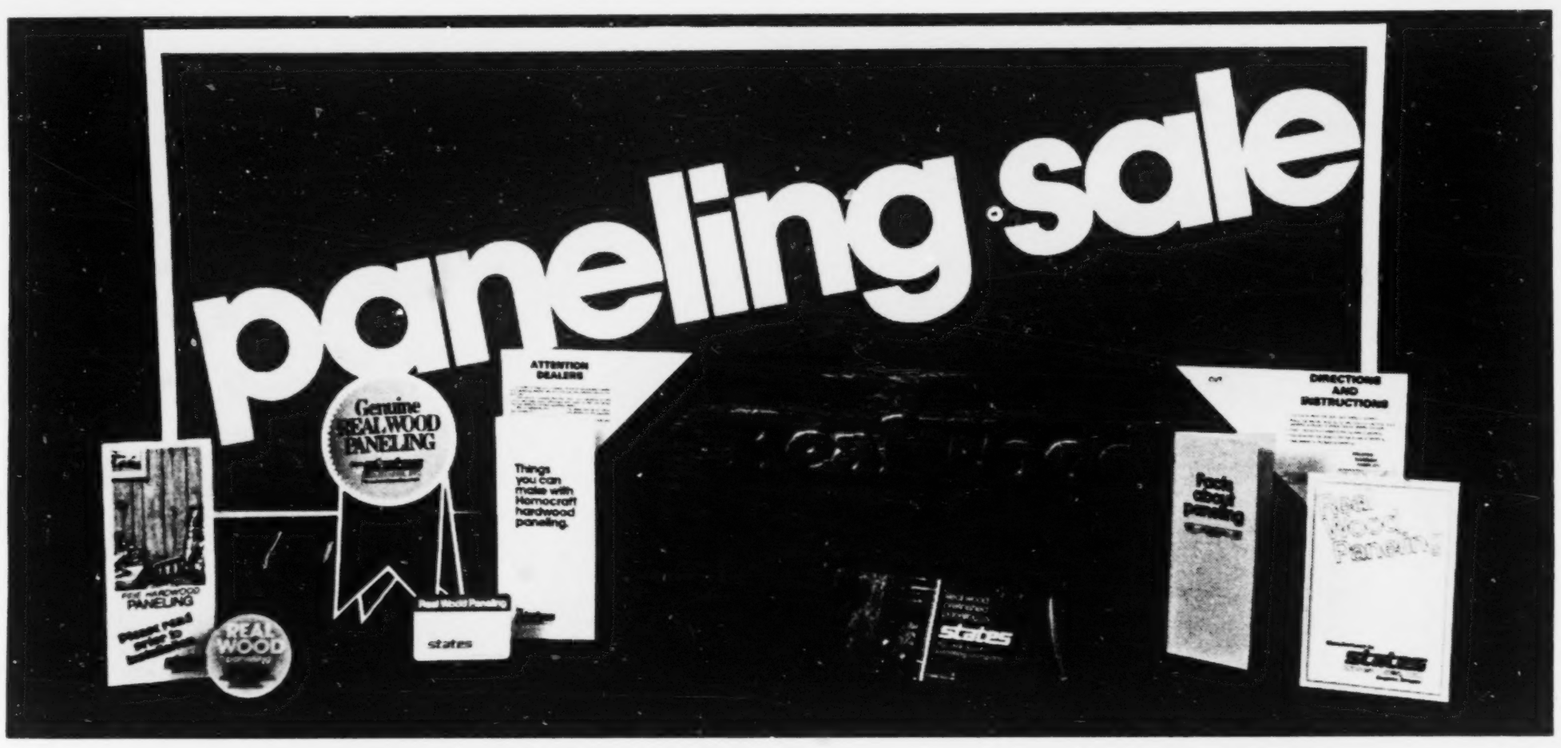
Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Channel Home Centers	15	$36.0	100
Grossman's	4	8.0	92
Hechinger	2	8.5	100
Rickel Home Centers	2	6.5	100
Wickes Lumber	2	5.0	47
Sylvan Build-In	2	1.0	80
Mr. Good Buys	1	5.0	100
Price-Rite Home Supply	1	3.5	80
84 Lumber	1	1.6	55

Source: NHCN research

Philadelphia demographics

***Population*—4,709,800**
***Population aged 25-49*—1,544,800**
***Disposable income*—$40.9 billion**
***Total retail sales*—$18.6 billion**
***Building materials/hardware sales*—$545.5 million**

Source: Sales and Marketing Management



EVERYTHING YOU'LL EVER NEED IN PANELING MERCHANDISING.

Your States Distributor has everything you need to sell more paneling. Including a sales program, a complete sample and display program, a 75/25 co-op advertising program and all the merchandising materials you need.

Call your States Distributor today.

ALABAMA
Sequoia Supply—Birmingham, Mobile, Decatur
United Plywoods Corp.—Birmingham, Decatur, Montgomery

ARIZONA
Sequoia Supply—Phoenix

ARKANSAS
Fischer Lime & Cement Co.—North Little Rock
International Paper Co.—Ft. Smith

CALIFORNIA
Aura Hardwood Lumber Co.—San Jose
Capitol Plywood—Sacramento
Frost Hardwoods—San Diego
Sequoia Supply, Inc.—Fairfield

COLORADO
Boise Cascade Corporation—Denver, Grand Junction
Collins Hardwoods—Denver

FLORIDA
Dixie Plywood—Miami
Flintkote Supply Co.—Jacksonville
Plyworld Corp.—St. Petersburg, Orlando
Sequoia Supply—Jacksonville, Orlando
United Plywoods Corp.—Pensacola

GEORGIA
Sequoia Supply—Atlanta

IDAHO
Boise Cascade Corporation—Boise
C.A. Company—Lewiston

ILLINOIS
Edward Hines Lumber Co.—South Chicago Heights
Illinois River Lumber Company—E. Peoria
Springfield Builders Supply—Springfield
The Pyramid Company—Aurora

INDIANA
Edward Hines Lumber Co.—Indianapolis
Indiana Wholesales—Evansville, Terra Haute
Sequoia Supply—Ft. Wayne

IOWA
Hawkeye Building Supply—Sioux City
Rounds & Porter Co.—Storm Lake, Davenport, Des Moines, Waterloo
The Wood Products Co.—Waterloo

KANSAS
Century Lumber Co.—Topeka
Rounds & Porter Co.—Wichita, Salina, Dodge City

KENTUCKY
Sequoia Supply—Crescent Springs
Wimsatt Bros., Inc.—Louisville

LOUISIANA
Allen Millwork—Monroe, Shreveport
Davidson Louisiana—Houma, Lake Charles, Lafayette, Baton Rouge, Alexandria, Monroe, New Orleans
Sequoia Supply—New Orleans

MARYLAND
Dixie Plywood—Landover
Sequoia Supply—Columbia

MICHIGAN
Edward Hines—Grand Rapids

MINNESOTA
Shelter Products—New Ulm
Edward Hines Lumber Co.—Farmington

MISSISSIPPI
Sequoia Supply Inc.—Jackson
Triangle Distributors, Inc.—Tupelo
United Plywoods Corp.—Meridian

MISSOURI
Edward Hines Lumber Co.—Springfield
Four States Supply—Carthage
Lumberyard Supply—St. Louis
Toombs & Company—Springfield

MONTANA
Boise Cascade Corp.—Billings

NEBRASKA
Central Lumber Sales—Lincoln
Rounds & Porter Co.—Hastings

NEVADA
Capitol Plywood—Reno

NEW MEXICO
Thunderbird Steel Corp.—Albuquerque

NORTH CAROLINA
Diamond Hill Plywood Co.—Greensboro, Raleigh, Charlotte
Foreign & Domestic Corp.—Fayetteville
North State Building Material Co.—Asheville
Sequoia Supply, Inc.—Greensboro

NORTH DAKOTA
Lavelle Lumber Sales—Fargo

OHIO
Clem Lumber Co.—Alliance

OKLAHOMA
Rounds & Porter Co.—Altus, Oklahoma City, Tulsa
Cedar Creek Wholesale—Tulsa

OREGON
States Dealer Supply—Eugene

PENNSYLVANIA
Bennett Supply—Pittsburgh
Sequoia Supply, Inc.—Kingston,
Seven D Wholesale—Gallitzin

SOUTH CAROLINA
Diamond Hill Plywood Co.—Darlington, Greenville
Sequoia Supply—Florence, Columbia

TENNESSEE
Diamond Hill Plywood Co.—Knoxville, Nashville
Dyke Industries—Memphis
Holston Builders Supply —Kingsport
Sequoia Supply—Memphis, Kingsport
Tennessee Plywood & Door Co., Inc.—Chattanooga

TEXAS
Central Building Products—Fort Worth
Davidson Texas, Inc.—Austin
Genstar—Corpus Christi, Harlingen
Sequoia Supply, Inc.—Houston
Vaughan & Sons, Inc.—San Antonio

UTAH
Diehl Lumber Products, Inc.—Salt Lake City

VIRGINIA
Diamond Hill Plywood Co.—Richmond, Chesapeake

WASHINGTON
Boise Cascade Corporation—Woodinville, Yakima, Spokane
C.A. Company—Spokane
The Harris Company—Olympia
Sequoia Supply, Inc.—Tacoma

WEST VIRGINIA
Sequoia Supply—Prichard, Hunnington

WISCONSIN
Edward Hines Lumber Co.—Green Bay

states
INDUSTRIES, INC.
P.O. Box 7037 Eugene, Oregon 97401

METRO MARKET OUTLOOK

Crime clouds Miami's sunny business climate

MIAMI—It was Florida's calling card.

This city of 348,000 probably did as much as any southern municipality to spur the migration of northerners to Florida and the whole Sunbelt throughout the 1970's.

Traditionally strong in tourism and construction, Miami gained national exposure from hosting the Republican National Convention in 1968 and 1972 and serving as the home for the three-time Super Bowl champion Dolphins.

In addition, being a port city gave Miami an international flavor that whet the appetites of businessmen wanting to cash in on the import-export market. Import-export trade hit $10 billion in the city last year, according to Miami's Trade and Commerce Development Dept.

International investment has also become an important part of the city's economy, with close to $2 billion in real estate investment and $3 billion in banking transactions coming from foreign companies. These figures are considered conservative estimates.

Despite some racial strife, Miami's Spanish population, which currently accounts for 55.6% of its total, seemed to integrate itself into the mainstream with fewer problems than other cities were experiencing. All told, Miami by reputation was a city with a great climate that worked.

However, its glow has been fading in recent years. The area's predominately drug-related crime problem has been short-circuiting growth. Statistics from the Uniform Crime division of the Federal Bureau of Investigation show the city's crime rate jumped 41% between 1979-1980, with murder and robbery increasing 64% and an incredible 123% respectively over the same period.

Suburban areas and surrounding city markets, such as Fort Lauderdale and Palm Beach, are seen by home center operators as more attractive places to do business than Miami.

Miami/ Fort Lauderdale demographics

***Population*—2,762,000**
***Population aged 25-49*—881,078**
***Disposable income*—$23.3 billion**
***Total retail sales*—$14.3 billion**
***Building materials/hardware sales*—$473 million**

Source: Sales and Marketing Management

Internally, home center retailers note that the city's steady growth in housing has gone into a lull over the last six months, despite the fact that 1981 projections for 1981 single-family housing starts of 8,094 represent a 12.2% increase over the previous year, although they fall short of the 11,523 starts in 1979.

Plus, the 7.5% unemployment rate in Dade County indicates that Miami may no longer offer the same opportunities to young professionals and working-class people as it once did.

"Miami's having its problems right now, but they're not insoluble and we're still a thriving city," said Betsy Green, assistant to the director of Miami's Chamber of Commerce.

She noted that the market was still attractive to businessmen looking to get into importing and public relations or consulting people and engineers seeking employment in the market's growing high technology field.

As proof that professionals were interested in the market as a place to live and work, Green pointed to Miami's per capita income, which 10 years ago was 86% of the national average. In 1981, it will have reached 98%, and still showing signs of improvement.

Part of Miami's diverse economy is generated from retail sales. They account for 61% of the residents' total disposable income. A small but increasing segment of this retail expansion is coming from home center operations.

In the home center arena, when you speak of Miami, you speak of Lindsley Home Centers, the 40-unit, $115 million chain that is based here and operates 23 stores in the market.

It is conceded by every competitor that Lindsley is the dominant factor here, with more stores and more advertising than anyone else. However, it has also been noted by observers in the market that several of Lindsley's units in Miami are trapped in areas that have become run-down. Company officials refused to comment on the market or Lindsley's position there.

The chain's overpowering presence is also being threatened by The Home Depot, the Atlanta chain that began opening stores in Miami last fall and recently started up a third and fourth unit last November.

The Home Depot's executives were unavailable for comment at presstime, but industry observers feel the chain will attempt the same marketing strategy that has proven successful in Atlanta: plenty of media advertising, warehouse-type merchandising (the stores average about 65,000 sq. ft. of indoor floor space) and low-ball pricing.

"We have not felt any great loss of business from Home Depot's entrance into the market yet," said Rolando Regato, vp-store planning and development for Davidson Lumber, with seven units here. "But Miami is an extremely aggressive market anyhow, with more retailers fighting for fewer dollars.

"But we see competition with Lindsley's and Home Depot as a challenge," he continued, "and I must say this aggressiveness has made us better merchants overall because it has forced us to use more sophisticated methods of merchandising and operations."

Regato, in discussing any future plans for expansion of Davidson Lumber, noted that the north and western areas of Miami appeared to be the most fertile, and that the downtown area presently offered little potential, at least until some of the city's troubles are remedied.

Florida has developed a new growth pattern outside of Miami, and the state has 10 of the 25 fastest growing metropolitan areas in the country within its confines.

(Continued on page 42)

Miami/Fort Lauderdale market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Lindsley	23	$62.0	100
Davidson Lumber	7	16.1	70
84 Lumber	6	9.4	55
The Home Depot	4	12.5*	98
Red Thumb Home Centers	4	15.0	50
Gancedo Lumber	2	12.0	30
Everglade Lumber & Building Supplies	1	9	70

Source: NHCN research *based on four-month sales

Contractor-oriented units take whipping in Houston

HOUSTON—Three independent lumber dealers have gone out of business in this city during the past few months.

The housing recession, which strikes hard at contractor-oriented facilities, seems the central cause of the business failures.

While Houston's energy-related enterprises continue to fuel the city's economy, 1981 multifamily housing starts, although up slightly from 1980, were down 42% from 1979, according to the National Assn. of Home Builders.

Houston demographics

***Population*—2,977,300**
***Population aged 25-49*—1,111,000**
***Disposable income*—$29 billion**
***Total retail sales*—$17.1 billion**
***Building materials/hardware sales*—$855 million**

Source: Sales and Marketing Management

Single-family starts were also up 18.7% to 26,030 units in 1981 but were below their 1979 level of 27,980 units.

"Some yards are really taking a whipping," said the president of an established, family-owned lumber business.

The independents that went out of business in the last few months include Brooks Lumber, Durham and Discount Lumber Mart.

Consumer-oriented home center chains, however, continue to penetrate the Houston market with Texas-born Handy Dan dominating in numbers of stores with a phenomenal 18.

But, if the economy does not cut into everyone's profits, market saturation may.

"If the city's not overstored, it's approaching it," said Bob Moutrie, of Moutrie, Norris and Assoc., a Houston-based consulting firm. "Competition has doubled and tripled. Population has not."

Population, nearing three million, continues to grow, however, as workers from economically-depressed Northern cities migrate South. While the Conference Board's Help-Wanted Advertising Index dropped to 110 nationally in October, its lowest level since 1977, Houston recorded an astounding 480.

Strong migration could help some chains as newcomers ar-

(Continued on page 34)

Houston market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Handy City	18	$57.6	95
Boise Cascade	10	34.0	47
84 Lumber	8	12.6	55
Furrow	6	34.2	95
McCoy's	4	11.8	80
Walker-Kurth	4	18.3	50
Homer's	3	7.9	100
Sutherland Lumber	3	9.3	75
Montalbano Lumber	2	15.0	70
Olshan Lumber	1	19.0	80

Source: NHCN research

Housing slowdown forces Bering's to shift gears

HOUSTON—Another independent here has gone out of the building supply business, but with a twist.

Bering Home Center is now just Bering's, a hard lines department store that evolved from a lumber yard.

The 25,000-sq.-ft. store, with 86 employees, does 25% of its business in housewares and gifts, according to president Norman J. Bering. Those items include a $1,000 Chinese screen.

Bering's is located in Houston's affluent western suburbs. Its unique product mix was shaped by customer demand rather than competition from chains that have scattered through the metro area recently, Bering said.

He was optimistic about the housing picture in Houston.

"People are coming here but there's no place to live. Everything's full. A lot of people coming from Detroit can't afford new homes. There's an apartment shortage," Bering said. "We'll have one hell of a building boom as interest rates come down."

METRO MARKET OUTLOOK

Warehouse-style retailing stars in Atlanta

ATLANTA—The home center story here continues to be The Home Depot, the warehouse-style, high-volume, low-overhead operation that produced sales of about $30 million last year in its four Atlanta stores alone.

Predictably, Handy City, the Grace chain with eight stores here, was affected by The Home Depot, since both firms are consumer-oriented.

More surprisingly, however, contractor facilities are also noticing that the warehouse stores, less than three years old, are affecting their business.

"The Home Depot is giving us all fits here," said Robert H. Lummus Jr., president of Lummus Supply, a four-store independent that has operated in Atlanta since 1925.

"We've carried Black & Decker for 20 years, but we're cutting it out," Lummus said, "because The Home Depot is footballing it."

A saw that Lummus said he would normally sell for $44.95 is being offered by The Home Depot at $31, which is Lummus's cost.

"We went to Makita," he said, "and we're still making our 35% markup." Lummus Supply has lost the low end of the business, however, and now sells no saw for less than $80.

The bright spot for independents and chains in Atlanta is the city's general economic picture. With a cross section of industries represented here, including 430 of the Fortune 500, Atlanta is less vulnerable to swings in the economy than most other cities.

Housing starts have remained relatively firm with single-family dwellings up 6.1% and multifamily units down only 4.7%.

Atlanta's main growth continues to be northward, but less expensive real estate and the lure of recently expanded William B. Hartsfield International Airport, one of the world's busiest, is expected to spur development southward.

The health of the building industry is particularly important to the building supply operators here since most, other than The Home Depot and Handy City, are contractor-oriented. Of five Lowe's stores, for example, only two aim for strong consumer sales and even those have not been changed to Lowe's new RSVP sales floor format.

Still, Lowe's enjoys an increased market share, according to regional director Vernon McGimsey, who claims that Wickes Lumber has recently been less of a problem.

Georgia Pacific cuts into sales, however, even without any stores in the market. The company has a distribution center in Atlanta and sells to builders directly, McGimsey said.

Lowe's is generally in smaller markets. Chairman Robert Strickland, speaking recently at a meeting of security analysts, recognized The Home Depot as one of the nation's best big-city home center operations along with Hechinger, which serves the Washington, D.C., Baltimore, Richmond, Va., and various eastern Pennsylvania markets.

While Lowe's and other Atlanta chains with significant contractor business have not adjusted dramatically to The Home Depot's competition, Handy City, perhaps the most directly threatened, has tried an aggressive pricing approach.

Ever since The Home Depot arrived in Atlanta, however, Handy City has had a series of management shakeups, and the warehouse operation continues to claim a growing market share.

Atlanta demographics

***Population*—2,064,200**
***Population aged 25-49*—786,400**
***Disposable income*—$17.3 billion**
***Total retail sales*—$9.6 billion**
***Building materials/hardware sales*—$387 million**

Source: Sales and Marketing Management

Atlanta market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Handy City	8	$14.3	100
Wickes Lumber	7	22.4	47
Williams Bros.	7	18.0	60
Lowe's	5	21.1	50
West	5	11.5	75
The Home Depot	4	30.0	100
Lummus Supply	4	8.2	40
84 Lumber	3	4.7	55
Sutherland Lumber	1	3.1	75

Source: NHCN research

Houston

(Continued from page 32)

rive without loyalty to any local business, a factor that slowed Handy Dan's penetration of the Dallas market during the 1970's. Handy Dan debuted in Houston in the late 1960's.

Home center health should also be boosted by strong remodeling and repairs, which totaled $61.3 million for the first nine months of 1981, up 12.3% over the same period in 1980, according to the Department of Commerce.

Retail sales also remain fairly strong.

The Houston Chamber of Commerce reported a 13.4% increase for the first nine months of 1981 over the same period last year. Between 1977 and 1980 retail sales soared 62.5% to $18.1 billion.

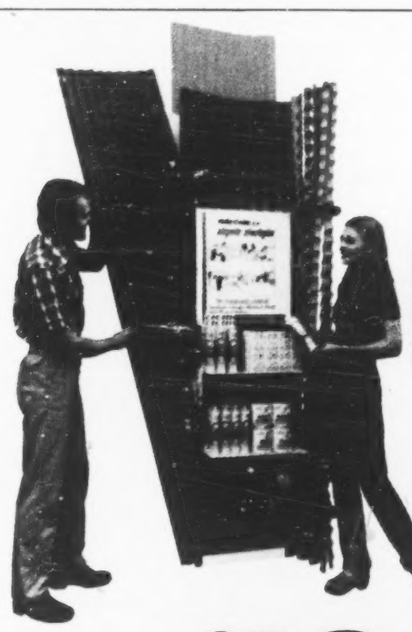
The continuing migration of professional and managerial workers has lifted Houston's per capita income from 2.5% above the national average in 1969 to 21.5% above in 1979, a chamber spokesman said. That increase placed Houston 10th among United States cities in per capita income.

The size of the Houston SMSA, 6,970 square miles, requires a large number of stores for market coverage. Costly advertising is also an impetus for high store counts.

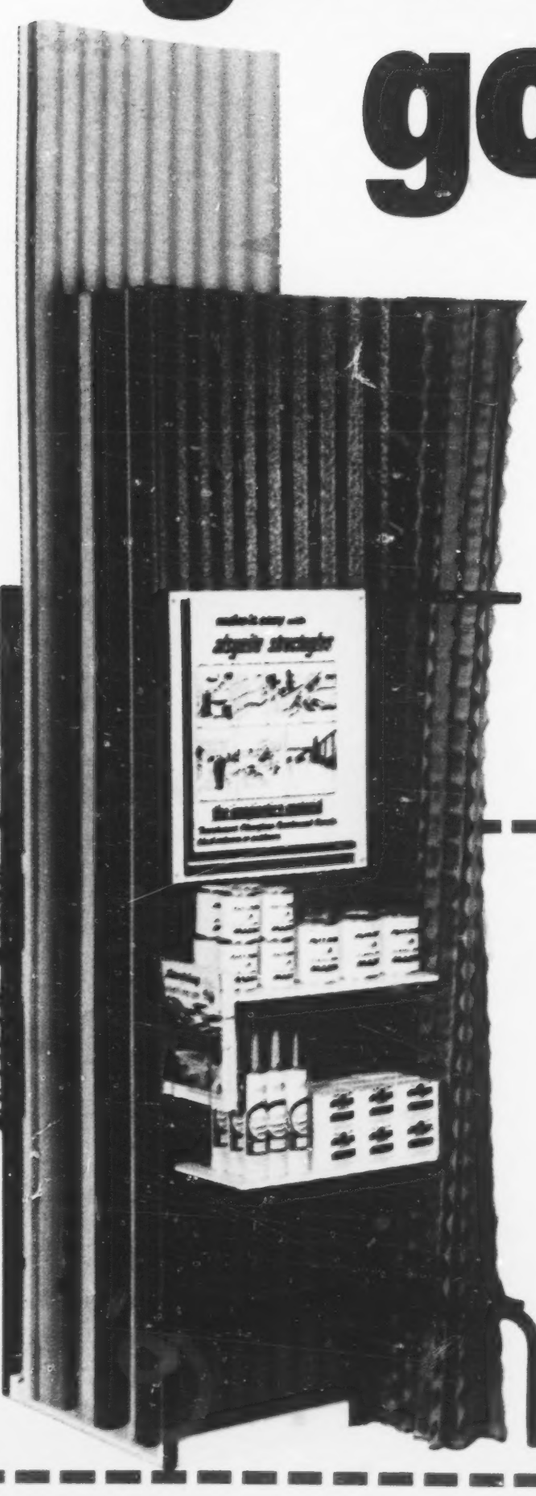
None of the eight chains operating in the Houston market comes close to Handy Dan in number of units, however. Boise Cascade is second with 10, and Furrow has made significant strides with its six relatively new units.

More importantly, perhaps, Handy Dan's slick home center merchandising formula seems unique in a market where more of a strict building supplies approach still seems to be the rule.

As one independent said: "We could give the customer everything for a house. At Handy Dan, he couldn't even start a garage."



alsynite® / structoglas®
makes profit easy with good turns and good return.



Alsynite/Structoglas, the original fiberglass reinforced translucent paneling that's been a fast moving favorite of do-it-yourselfers for years.

Now a solid trade-up program with limited SKUs of quality products that sell!

It's a complete program that will mean more profit for you. Write for more information.

Please send me the profitable details on the Alsynite/Structoglas trade-up program today.

NAME _____
TITLE _____
BUSINESS NAME _____
ADDRESS _____
CITY _____ STATE _____ ZIP _____

REICHHOLD RG®
Reinforced Plastics Division
P.O. Box 81110 · Cleveland, Ohio 44181

METRO MARKET OUTLOOK

The Windy City weathers climate of recession

CHICAGO—To home center operators here, the Windy City is a town worth staying in.

Chicago and its suburbs have shown remarkable resiliency in the face of declining population and industry bases and high unemployment, which hit 7.9% in the market last September.

Chicago is not without its problems, of course. The city lost 10.8% of its residents (now about 3 million) over the last 10 years, and the market's housing situation of 7,675 single-family unit starts for this year, while 16.8% better than 1980 totals, are about half what they were in 1979 (14,368).

Retailers, however, cite a renaissance of sorts now taking place downtown, and the renewal is spreading throughout the market, making it more attractive for people and businesses to move back into the area.

Chicago demographics

***Population*—7,118,000**
***Population aged 25-49*—2,427,000**
***Disposable income*—$67.7 billion**
***Total retail sales*—$30.8 billion**
***Building materials/hardware sales*—$1.033 billion**

Source: Sales and Marketing Management

Chicago's recovery and stability are two of the reasons why it remains one of the most highly competitive home center arenas in the country. No fewer than nine chains do business here.

"Several of the most competent home center retailers in the United States are located here," said Jim Gee, president of Gee Lumber which has been in Chicago since 1947. "But while the competition is tough, it isn't cutthroat as in other cities."

Gee noted that because many of the retailers, including himself, have their roots in Chicago, and have grown through acquisitions of indigenous stores, there has been little dilution of market share. He added, however, that companies trying to break into the market have not had an easy time because "they don't understand Chicago the way we do."

The prominent outside chains with stores in Chicago are: Hill-Behan, St. Louis; Forest City, Cleveland, and Handyman, San Diego. Combined, their total of 15 units captured $43 million in 1981 sales. Gee's eight Chicago stores alone collected $26.1 million.

"We only have four stores in Chicago, but we'd really need between 12 and 16 to really make any kind of impact on the market," said Steve Bakowsky, vice president, marketing for 21-unit Forest City which has been considering expansion in Chicago for more than a year (*NHCN*, Dec. 15, 1980).

Walter Borg, merchandise manager for the 33-unit Hill-Behan chain, expressed considerable optimism about the future of Chicago. The chain's seven stores here produce about 35% of its total volume.

"There are no national chains here that can dominate the market," he explained. "Chicago has an extremely concentrated population which increases overall sales and market coverage. We seem to have access to many major manufacturers here, which keeps us abreast of any market trend changes."

Borg indicated that, were Hill-Behan to expand in Chicago, it would be into the prosperous western suburbs.

"I think there's room for growth by the chains that are already here," he said, "but it would be very tough for somebody new to come in and set up shop. The market's retailers are too strong."

According to Ted Joseph, executive secretary of three-unit Joseph Lumber here, one chain that has creeped into the picture is mammoth 350-unit 84 Lumber with stores in the market's outlying regions.

"It is still pretty small [three stores] but 84 has successfully bid for some of the contractor business that we were getting, and it will be a factor to contend with," Joseph said.

In addition, the two largest wholesale co-ops, Chicago-based Ace Hardware and Cotter & Co., operate several stores in the market, including the Kin-Ko Ace chain and Cotter's E-G Home Centers in outlying Downers Grove and Carol Springs, respectively.

As for Joseph Lumber, the chain's three units serve the residents in the market's northeast inner city, which Joseph feels is responding to the redevelopment of the downtown area.

"Ten years ago, you would be afraid to walk down the street in many neighborhoods, but now they are mostly safe because people are committing themselves again to making urban communities work," he said.

He added that his stores are capturing a good portion of their sales from younger people moving into condominiums and townhouses, and he expects this to continue.

Another company thinking of expanding within the city limits is four-unit Courtesy Home Centers, which nearly every retailer in this market labeled as its main competitor. Based in surburban Mount Prospect, Ill., Courtesy currently has one store within the city limits.

The chain's president, Joseph Ender, said that what distinguishes his stores from other companies are their size (50,000-plus sq. ft.), their staff (90 full- and part-time employees), Courtesy's advertising (eight pages of ads weekly and a 12-page ad once a month), and their inventory (each unit has its own warehouse).

While noting that Chicago's independents and small chains are very strong, Ender listed Edward Hines Lumber, Gee Lumber and Handy Andy as the market's feature players.

"Hines is a latecomer to the home center business, but they're really pushing hard now," he said, "and Ron Rashkow [Handy Andy's president] is one of the smartest executives I know.

"Chicago is like every other city," he added, "in that redevelopment starts downtown and moves outward. I'm very high on the success of that development and on the market's future, and it seems to take us less and less time for our new stores to turn a profit."

Chicago market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Edward Hines Lumber	25	$62.0	40
Gee Lumber	8	26.1	75
Handy Andy	7	36.0	98
Hill-Behan	7	12.9	60
Kin-Ko Ace	5	4.8	90
Courtesy	4	21.0	100
Forest City	4	19.0	100
Handyman	4	11.5	100
Joseph Lumber	3	13.0	70
84 Lumber	3	4.7	55
E-G Home Centers	2	7.5	95

Source: NHCN research

Chicago is seen as a city with continuing growth potential by home center retailers who point to its downtown revitalization as a sign of the market's overall future strength. NHCN photo

Twin Cities get new life as regional starts rebound

MINNEAPOLIS/ST. PAUL—While some observers characterize the housing industry here as "terrible and getting worse," economic indicators hint the situation may not be quite so bleak.

New housing starts in the North Central region were up 31% in October compared with September, according to the National Assn. of Home Builders.

The association forecasts that 1981 total starts will equal 1980's 13,000 units and that single-family starts will equal 1980's 8,700 units. Both categories fell nearly 30% from 1979 to 1980.

Interest rates on conventional 25-year mortgages, however, dropped sharply from a September rate of 18.81% to an October rate of 15.63%, including fees, on loans for 75% of the price of homes, according to the Federal Home Loan Bank Board.

September unemployment statistics for the Twin Cities, meanwhile, were among the lowest in the country, standing at 4.3%, compared to the national average of 7.3%.

"We're a heck of a lot better off than many places in this country," said Chuck Davis, merchandise manager for Great Plains Supply, St. Paul. The former Warner Hardware executive views Eden Prairie, Plymouth, Bloomington and Woodbury as major growth areas in the market.

Minneapolis/ St. Paul demographics

***Population*—2,127,600**
***Population aged 25-49*—759,600**
***Disposable income*—$19.6 billion**
***Total retail sales*—$10.5 billion**
***Building materials/hardware sales*—$570.6 million**

Source: Sales and Marketing Management

Even contractor-oriented Lampert Lumber, with two Twin Cities locations, saw "a slight improvement" in sales in 1981 despite the housing market, according to Dick Bolstad, supervisor of the two units.

DIY sales look solid, and are supported by Menard's and Knox Lumber, two of the strongest medium-sized chains in the industry.

Menard's, under the leadership of its enigmatic president, John Menard, entered the area in the mid-1970's and now has stores in West St. Paul, Burnsville, Fridley, Oakdale, Eden Prairie and on Highway 12 in Golden Valley.

The chain is a major factor in this market and features a low-priced, warehouse approach to DIY retailing. Its sales in the Twin Cities are estimated at $50 million.

Knox Lumber, however, with five stores in the area, still ranks No. 1 in the Twin Cities, with estimated sales of $60 million. Knox units are located in Burnsville, Little Canada, Brooklyn Park, St. Paul and Hopkins, the chain's newest outlet. About 80% of the chain's sales are to DIYers.

Budget Power operates four stores in Minneapolis/St. Paul, two in Hopkins and one each in Minnetonka and Bloomington. *NHCN* estimates Budget Power's sales are $15 million.

Minneapolis/ St. Paul market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Warner True Value Hardware	22	$33	95
Budget Power	8	15	90
Menard's	6	50	85
Plywood Minnesota	4	12	100
Lampert Lumber	2	10	40
Justus Lumber	1	4	40
Shaw Lumber	2	10	25

Source: NHCN research

Budget Power appears to be most vulnerable to a Menard's onslaught, however, according to one observer.

"Menard's is taking business away from everyone, but Budget Power appears to be suffering more than the others," Great Plains Supply's Davis said.

Plywood Minnesota, strong in decoratives, is not considered to be in direct competition with Menard's, Knox Lumber and Budget Power. With units in Bloomington, Fridley, Golden Valley and St. Paul, the chain does an estimated $12 million in sales in the market.

Other home center chains in the market are Lampert Lumber, which had sales of about $10 million at its two Twin Cities stores during 1981, Warner True Value Hardware and Payless Cashways.

At Lampert, Bolstad would like nothing better than to see the chain's 60-40 contractor-DIY mix reversed this year through an upturn in the housing market.

Warner has 22 units, including 16 in Minneapolis, five in St. Paul and one in Cottage Grove, southeast of St. Paul. Although Warner appears to blanket the market, 14 outlets are smaller hardware-oriented facilities.

NHCN estimates that Warner had sales of $33 million in the area during 1981.

METRO MARKET OUTLOOK

Phoenix called 'brightest spot in Southwest'

PHOENIX—"The brightest spot in the Southwest," is how O'Malley Lumber's general manager Dean Drake describes the booming Phoenix market.

His optimism is supported by the National Assn. of Home Builders metro forecast of housing starts showing single-family home starts in 1981 at 15,000 units, up 20.2% from 12,483 in 1980.

Entire alfalfa fields in towns like Chandler, just outside Phoenix, have been replaced "with a sea of roofs" in the past two years observed Nick Einfeld, president for Angels' Arizona division.

The increase in housing starts is particularly significant in view of the fact that interest rates on conventional 25-year home mortgages in the area are among the highest in the nation: 19.41% in October, up from 18.21% in September and 14.13% in October 1980, according to the Federal Home Loan Bank Board.

The rates, which are based on loans for 75% of the price of the home, including fees, are well above the 18.17% national average posted this past October.

Eugene M. Ray, president and chief executive officer of Ray Lumber, the major independent home center in Phoenix, offered an explanation for this apparent contradiction.

"There are a number of homes in the $300,000-$1,000,000 price range being built around here," he said. "These people generally pay cash for their homes and don't require mortgages to finance construction," Ray concluded.

With 12 stores in the market, O'Malley is by far the leading home center chain in Phoenix. *NHCN* estimates the chain's 1981 Phoenix area sales at $60 million, about a 20% share of the $332 million building materials/hardware market.

O'Malley operates five stores in Phoenix proper, including the chain's newest unit in the northeast section of town, and one each in Tempe, Scottsdale, Mesa, Buckeye, Glendale, Sun City and Apache Junction. The stores average 20,000-25,000 sku's.

According to merchandise manager Jerry Hancock, O'Malley's retail sales are strong. "We were ahead of 1980 and things are looking pretty good for 1982," he said. *NHCN* estimates O'Malley's 1981 DIY volume at $26 million, representing an 8% increase from 1980.

One result of the slow housing market is that over the past eight months O'Malley's DIY-contractor ratio has changed from 30-70 to 50-50, Hancock said.

Drake predicted that strong growth will resume "as soon as some of the monetary and economic rules are straightened out and people are encouraged to buy homes. Drake said that "there is a tremendous market for new homes here right now."

Drake added, "Phoenix itself is expanding at such a clip that there is ample room to expand our business right here. The growth of this area is greater than any other major metro area we're in. It's a solid area and it's maturing."

The population of the Phoenix SMSA in 1980 was approximately 1,559,800, a 61% increase from the 971,228 recorded by the 1970 census.

The No. 2 chain in the market is W. R. Grace-owned Angels which operates eight area units, including four in Phoenix and one each in Tempe, Mesa, Stockdale and the newest in Chandler.

NHCN estimates Angels' volume in the market at $30 million.

A typical Angels carries about $1 million in inventory and 22,000 sku's. Stores average three and a half turns annually.

Angels' current marketing strategy is centered around reestablishing its pre-1970 image of low everyday prices, quality products and a more pleasant shopping environment.

The chain's advertising consists of approximately 80% direct mail, 15% television and 5% newspapers. O'Malley, in contrast, devotes 75% of its advertising budget to newspapers, including 12-page tabloids, with the balance divided between radio and TV.

San Diego-based Handyman operates five stores in the Phoenix area, including three in Phoenix proper, one in Scottsdale and one in Mesa. *NHCN* estimates Handyman's 1981 sales at $13 million.

Vice president Norman Fox described the market as "very competitive" with much growth north and west of the metro area and east of downtown.

Other home centers in the Phoenix area include the Mesa 84 Lumber with estimated sales of $2 million in 1981; Ray Lumber, with stores in Phoenix and Scottsdale, a 40/60 DIY mix and estimated sales of $13 million, and Jack Building Materials, a 70% DIY store located in Phoenix with 1981 estimated sales of $8 million.

Phoenix demographics

***Population*—1,559,800**
***Population aged 25-49*—521,000**
***Disposable income*—$12.2 billion**
***Total retail sales*—$6.5 billion**
***Building materials/hardware sales*—$332 million**

Source: Sales and Marketing Management

Phoenix market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
O'Malley Lumber	12	$60	50
Angels	8	30	100
Handyman	5	13	100
Payless Cashways	3	17	95
Ray Lumber	2	13	40
Lumber Jack Bldg. Materials	1	8	70

Source: NHCN research

Denver

(Continued from page 28)

other in Longmont. Buyer Steve Stookesberry described the market as "very competitive in pricing with a great deal of advertising and promotional activity," with the DIY-oriented chains "hanging in there." Economy is a radio sponsor of Denver Bronco football games. The two Denver-area Economy stores are estimated by *NHCN* to have a sales volume of $10 million.

Sutherland Lumber operates three stores in the Denver market located in Boulder, Denver and Littleton.

The three stores' sales are estimated at $12 million during 1981.

Payless Cashways' three Denver-area stores, located in Aurora, Sheridan and Westminster, had an estimated combined sales volume of $21 million during 1981.

Wickes Lumber operates in Boulder and Longmont. Sales volume for the two stores during 1981 was estimated at $8 million.

Everitt Lumber, based north of Denver in Fort Collins, Colo., operates a single store in the area located in Longmont, with estimated 1981 sales of $2 million.

Growth areas in the Denver market include Arapahoe and Jefferson Counties, to the south and east, and Boulder County outside the city of Boulder, where growth has declined since the passage of a "no growth" bill several years ago.

For volume reprint orders at reduced price, please contact Peter Sulich, promotion manager, Select-Info, Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 212-371-9400.

Independents dominate in Philly

(Continued from page 30)

there."

Price-Rite is a 16,000-sq.-ft., full-line unit, which, as its name indicates, also features competitive pricing.

Competitors within the city limits aim at remodelers.

"If you look at a map of Philadelphia and the population density, especially in western Philadelphia," Price-Rite's Roland explained, "you'll find old row homes, wall-to-wall people and blue-collar workers who can't replace their homes. They look at changing their four walls as entertainment and an investment."

Some of the problems for major chains may rest in the fact that remodeling is strong but new housing starts in the area are not overwhelming. While the metro area ranks fourth in the country in population, its single-family housing starts ranked 12th at 8,100 in 1981.

Erlbaum pointed out that Langhorne, Pa., north of Philadelphia, was destined to be a major construction area. Wickes Lumber, 84 Lumber, Hechinger and Channel have all located there, but the population has yet to grow enough to support all the stores in the area.

Philadelphia has already claimed one major chain, Panelrama, whose owners opted for other ventures rather than continuing in an ailing business.

Channel already has 15 stores in the market, but their impact on it is questionable, observers noted.

One source said Grossman's wanted to put 10-12 stores in the Philadelphia market but stopped at four units after being disappointed with the performance at those stores.

Rickel Home Centers may be one of the smarter chains in the area. It opened only its second store in the market in Broomall, Pa., recently and indications are that it will do well.

ENERGY SAVER

the original Water Heater OVERCOAT®

"Start your water heater working undercover for you."

- Saves money and energy
- Slip-proof security strap installation
- Lifetime warranty

Constructed of U.L. listed materials which meet Fire Hazard Classification 25/50 and A.S.T.M. E-84. Rated 90A by National Fire Protection Association. 1-1/2" to 3" thick R-10 maximum materials. Kits for gas or electric.

STOP the Energy Thief

Master Works, Inc.
P.O. Box 59186 • Dallas, Texas 75229 214-243-7056

Don't miss the largest supermarket of kitchen/bath products the nation has ever seen!

Kitchen/Bath Industry Show

Sponsored by the American Institute of Kitchen Dealers

April 18-20, 1982

Dallas Convention Center
Dallas, Tx.

If you're a remodeling/improvement home center retailer, lumber/building materials dealer, wholesaler, distributor, manufacturer, or jobber, hardware store owner, discount or general merchandise store retailer specializing in lumber and wood products, or professionally involved in any way with the home improvement field, you'll want to take part in this exciting new trade exposition.

See what's new in kitchen/bath cabinets, vanities, countertops, appliances, building materials, plumbing fixtures and sinks, fireplaces, glass/mirrors, wall and floor coverings, paints/varnishes/stains, shelving and storage systems, doors and windows, and much more!

Sign up for the exhibits in advance and take advantage of the special $2.00 admission rate ($5.00 at show).

Return this coupon to:
Bob Herzenberg,
Kitchen/Bath Industry Show,
1515 Broadway, New York,
NY 10036, 212/869-1300.

☐ **Yes,** I want to visit the exhibits at the new Kitchen/Bath Industry Show. My check for _____ to cover _____ registrations at $2.00 each is enclosed.

Name _____ (Please Print)

Firm _____

Title _____

Address _____

City _____

State _____ Zip _____

☐ Please send me information on exhibiting at the show.

☐ Please send me details on the tie-in seminar program, the National Kitchen & Bath Conference.

SECURITY/SHORTAGE CONTROL

Control system study can help spot problems

By Bob Curtis
Special to NHCN

Many home center operations waste considerable time and effort in trying to correct inventory shortage situations that are in fact nonexistent. Or, they are too often unaware that major theft losses are occurring because company records are poorly designed and inaccurate.

The foundation to a sound, secure home center requires a periodic review and upgrading of your control systems and procedures to insure that they are complete and reasonably accurate.

A major part in any security study of a home center operation includes a systems study.

As a consultant, I make a thorough review of all company procedures. I am interested in the original design of the controls, and I am interested in whether the procedures are being followed in the manner intended.

Weaknesses, however, can occur in both these areas.

Over some 18 years of doing retail security audits, I have designed a checklist which a home center manager, concerned about high inventory shortages, will find useful in determining the effectiveness of his operational control systems.

Store owners and managers may recognize the need for a control-systems analysis, but they often do not know where to start. Perhaps my checklist will be helpful.

- List the key control systems now in use.
- List any control procedures you know are lacking.

Bob Curtis, security consultant to retailers

- Misplaced emphasis can result from poor understanding of priorities. Therefore, try to evaluate the relative importance of each control already in use in terms of protecting company assets, and place the controls in order of their priority. Some procedures such as cash handling and receiving and credit controls may likely fall into a top-priority group.
- Review the written procedures. Go out into the store and walk through the procedures yourself to see that their actual operation conforms to the written systems. You will soon know what systems are being enforced and what systems are improperly implemented.
- Wherever you find violations of the procedures, try to determine the reasons for the changes.

Was the system redesigned without changing the operations manual? Was the original control unrealistic in terms of time and staff, or was it just impossible to enforce?

Perhaps the difference between the controls being properly followed and those not being enforced is not a failure in the procedural design but a poor job of supervision.

- As you are doing this survey, keep an eye out for needless duplication of records or unnecessary duplication of handling. Where you can, simplify your procedures without weakening their effectiveness.
- In addition, review the supervisor's and worker's job descriptions to see if they are working within the framework of those descriptions. If you find a control not operating, determine if the person responsible for it has been charged with handling the procedure in his job description. Should the procedure be added to the description?

At this point, you will have considerable knowledge about how well the various operations are working.

Now comes the tough part. Does a weak system need redesign, or is the fault that of the supervisor?

We are often too quick to blame a supervisor when control procedures break down. It is wise to look beyond the supervisor for other factors.

Check to see if you have given the supervisor the authority necessary to carry out all his responsibilities. If you do not trust the individual enough to give him the authority needed to discharge his responsibility, then you should not make him a supervisor.

Next question

When you find certain things are not controlled, ask yourself if it is realistic to attempt the kind of control originally prescribed. If not, the next question should be: what part of the operation can logically be controlled?

Sometimes, a control is not feasible because it is not cost-effective. It may take too much manpower to handle. When this occurs, you seek an alternative method of control that is realistic in terms of cost and staff.

It is often helpful to step back from your business and make a list of the operations you believe are controllable. This list may include receiving, transfers, overtime, training, supplies and payroll.

Next, make a list of items or operations that cannot be controlled. This list may include absenteeism, indirect administrative costs and salvage.

Accept the fact certain items cannot be controlled because of costs, insufficient staff, lack of space, inadequate facilities and even chance.

Next, look over the list of uncontrollable items and see if partial controls can be used for any of them.

Most importantly, give your greatest attention to the key items that most commonly protect company assets. Do present procedures have any obvious weaknesses in these high-priority operations?

What about the supervisors and key personnel who are responsible for enforcing control systems? Are they competent, careful and qualified to do this work?

If they are not, do they need retraining, or tighter management review of their work? Should they be moved to other work and replaced with qualified personnel?

This is the toughest step in upgrading control systems. When you become aware that an employee cannot do his job, you must be tough-minded and replace him with someone who can do the job.

The greatest weakness I usually find in home centers with serious shortage problems is the inability of the managers to remove incompetent persons from key control positions.

People are the key to successful control in any enterprise because the only individuals that can actually control any events in your company are the people who are at the spots where the events take place.

California Cascade Industries

Manufacturers of

DIY Lumber Products

REDWOOD

- Lath
- Fencing
- Bender Board
- Stakes
- Furring Strips
- Decking

Additional Items Available
Doug Fir • Hem Fir • Whitewood
All Dimensions, Cut Stock and Shorts
1 x 1 through 2 x 12

OSMOSE **K-33** Treated Products

(916) 484-6450
P.O. Box 130026
Sacramento, CA 95853

Miami's sunny business climate

(Continued from page 32)

One of these is Fort Lauderdale, which Regato predicted would be "one of the more important home center markets in the 80's." Located 25 miles north of Miami, the Fort Lauderdale SMSA experienced a 62.2% increase in its population over the last 10 years.

According to Glenn Spoor, general manager for the Red Thumb Home Center chain, Fort Lauderdale is a much easier and potentially more prosperous place to do business than Miami now, and he looked amusedly at the impending battle between Lindsley and The Home Depot (whose stores are really closer to Fort Lauderdale than Miami).

"I expect there will be some fireworks, because The Home Depot is trying to establish traffic with high volume, low margin merchandising. But our chain will be able to respond to that a lot more quickly than Lindsley simply because we're smaller."

Spoor said, though, he would now be a bit more selective in the items he places on sale, and would not be going up against The Home Depot on a head-to-head basis too often.

"There's plenty of business down here," he continued, "because the market is so massive and there's so much land development going on. I see no danger of market saturation yet, and feel Fort Lauderdale, and even Miami to a lesser degree, are excellent places for retail companies."

And, in spite of the temporary problems Miami may be having, retailers such as the mammoth Scotty's chain are still looking toward it as a place to expand for the future.

The $206 million, 81-unit chain currently has two units in Lauderhill and Pompano Beach, and is in the midst of constructing a new store in Palm Beach. In addition, it is experimenting with a 15,000-sq.-ft. warehouse-style home center, going under the name of Thrifty, in Hollywood, Fla. (*NHCN*, Dec. 7, 1981).

"Our main priority has been to fill in the gaps in our existing markets in north and central Florida," said vice president and general sales manager Dennis Stults, "but we're very interested in the Dade-Broward county market as being very substantial and a market we will probably be going into in the next few years."

It pays to do business with a Champion.

Champion® has a complete line of building materials to help make your business more profitable:

Western Lumber	Hardboard Sidings
Southern Pine Lumber	PF-L® Sidings
Sanded Plywood	Lebanite®
Plywood Sheathing	Novoply®
Plywood Sidings	Asphalt Roofing
Hardply®	Novodeck®
Permaply®	Particleboard Underlayment
Duraply®	Paneling
Duratex®	Vinylcote®
Royal Marine® Fir	Decolam®/hpt
Hardboard	Fiberglass Insulation

For more information
call your local Champion Sales Office

Champion
Champion International Corporation
Building Products Division

© Champion International Corporation, 1980

climatube® pipe insulation year 'round profit

Fuel costs. Energy consumption. They're on every customer's mind. Saving energy dollars is a year 'round proposition, and CLIMATUBE Pipe Insulation has the four seasons' answer.
CLIMATUBE stops heat loss in hot water pipes and hot water heating systems year 'round. It helps prevent dangerous winter freeze-ups, keeps cold water pipes from sweating and retains the cold in air conditioning and refrigeration piping.
CLIMATUBE means savings for your customers and profits for you.... every day of the year.
Its superior scientifically designed cell structure and 15mm wall thickness (approximately 5/8") provide optimum thermal efficiency and cut temperature loss up to 80%. In addition, your customers can qualify for a 15% tax credit under the IRS Home Energy Conservation program. And in most cases CLIMATUBE pays for itself in less than a year. How many other insulation products can make this promise?
CLIMATUBE is also flame retardant. Simply the best product. Powerful promotion. Full range of sizes. Excellent profit margin. Attractive packaging and self-sell merchandiser. A total package for bigger profits 365 days of the year. Find out why more and more dealers are stocking CLIMATUBE. Call or write for your FREE sample. Talk to one of our representatives, and start making profits every day of the year.

SAVE ENERGY! SAVE MONEY!
CLIMATUBE
Hot & Cold Pipe Insulation
Cuts heat loss up to 80%
Helps prevent freeze-up
Thicker tube wall means better insulation
Pays for itself over and over — for the lifetime of your home!
Stops cold pipe sweating
Water and vapor repellent
Pre-slit ...slips on in seconds
a division of nomaco inc.

nomaco inc.
Ansonia, CT 06401 Tel 203-735-4628

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	10/31-3th qtr.	$ 54,420	$ 43,318	26	$2,181	$1,694	29
Lowe's	10/31-3rd qtr.	227,910	248,181	– 8	4,859	6,976	– 30
Pay 'n Save	10/31-3rd qtr.	228,809	198,356	15	2,003	3,656	– 45
Scotty's	11/21-4 wks.	22,527	22,679	– 1	—	—	—
Supermarkets General	10/31-3rd qtr.	752,396	653,049	15	6,233	7,029	– 11
Wickes	10/31-3rd qtr.	1,082,093	909,523	19	2,900	1,112	161

*$ in thousands

Southwest Forest income drops in third quarter

PHOENIX—Southwest Forest Industries has reported third-quarter net income of $1,664,000, a huge decline from the comparable 1980 figure of $9,094,000.

W. A. Franke, president and chief executive officer, blamed the poor showing on the depressed housing market, which is pushing prices for building materials to new lows, and a reduced demand for two of the company's primary paper products.

Southwest's building products group experienced its worst quarter in several years and operated at a loss. Through much of the quarter, eight of the company's 14 lumber and plywood manufacturing plants were closed, and two others operated on curtailed schedules.

Income from Southwest's paper products group was 27% below the comparable 1980 period due principally to lower demand and prices for linerboard and hardwood pulp.

Franke was not optimistic about the rest of 1981. "I do not see any improvement occurring in housing this year, and I don't believe our building products operation will significantly improve until mortgage rates move below 14%," he said.

"If this reduction occurs, renewed consumer confidence will help the residential construction industry," Franke surmised.

STOCK PRICES

Companies with predominant home center sales

	As of 11/25	As of 12/2
Lowe's (NYSE)	12¼	12½
Payless Cashways (NYSE)	17½	18¼
Scotty's (NYSE)	19¼	18

Over-the-counter stocks

	As of 12/2 Bid	Asked
Erb Lumber	10½	12
Hechinger	15¾	16
The Home Depot	17¼	17¾
Pay 'N Pak	14⅛	14⅜
Wolohan Lumber	3⅜	3⅝

Companies with significant home center sales

	As of 11/25	As of 12/2
Action Industries (AMEX) [Action Home Centers]	2⅞	2½
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	11⅜	11¼
Boise Cascade (NYSE)	34¾	35⅝
Cyclops (NYSE) [Busy Beaver]	27¾	27½
Diamond Int'l (NYSE)	35½	37¼
Edison Brothers (NYSE) [Handyman, Homer's]	26⅞	26⅞
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	20¾	20⅛
Forest City (AMEX)	13¾	13
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	45⅛	45¼
Interco (NYSE) [Central Hardware]	48⅝	48⅝
Peavey (NYSE) [Fish, Peavey/Thunderbird]	22¾	21¾
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	16¾	16½
Supermarkets General (NYSE) [Rickel]	19	19⅜
Union Camp (NYSE) [Homecrafters]	46½	48½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	10	9⅞

Over-the-counter stocks

	As of 12/2 Bid	Asked
Dart Drug	11⅜	11¾
Hines Lumber	17	18
Pay 'n Save [Ernst, Von Tobel's]	23⅛	23¼

Safe sales rose 30% last year at home centers

NEW YORK—Home centers are among the fastest-growing outlets for home safe sales, according to a leading manufacturer of safes.

"We've seen home center-type outlets post a 30% increase in safe sales this past year," a spokesman for the company said. Total retail dollar volume for home safes is expected to approach $100 million this year and company officials anticipate another 20% increase in 1982.

Major factor

The spokesman suggested that heightened consumer awareness of home security products and the grouping of those products in their own areas are contributing factors.

As recently as five years ago, the manufacturer, John D. Brush & Co. said, locksmiths and office-supply dealers sold most of the record-protection safes.

Since 1975, however, a shift in buying patterns has resulted in the hardware-type outlets accounting for a majority of all safe sales.

Action reports loss in 1st qtr.

CHESWICK, Pa.—Action Industries, parent company of 13-store Action Hardware, has reported a net loss of $412,500 (24¢ per share) on sales of $16,845,300 for their fiscal first quarter ended Sept. 26, 1981.

Chairman Amos Comay blamed the decline on "continuing losses" in the retail division, which includes the 13 home centers and 11 hardware outlets. Action recently closed one hardware store and sold another.

Mr. Comay would not reveal any sales or earnings figures for the retail division. *NHCN* had projected a 1981 DIY volume of $25,000,000 for the Action home centers.

During the fiscal first quarter of 1980, the company had net earnings of $314,700 (19¢ per share) on net sales of $15,034,800.

Read
NEW PRODUCTS
every issue
in
National Home Center News

Inflation figure in '82 should drop to 7.8%

NEW YORK—The Conference Board's latest survey of financial indicators reports that the nation's inflation rate will fall substantially in 1982 and decline even further in 1983.

According to the panel of financial executives, inflation will average 7.8% in 1982, down from the current annual rate of 9.4%, and is expected to fall to 7.3% in 1983.

The panelists have sharply lowered their estimates for United States economic growth, with real Gross National Product expected to average only 2.2% in 1982, down from a 3.7% rate forecast early this year. For 1982, real GNP is expected to average 3.5%.

Despite the optimistic forecasts on inflation, the panel predicts that long-term and short-term interest rates will fall only moderately. The rate for new triple-A industrial bonds is now put at 13.8% in 1982, well above the 12.5% rate projected by the panel earlier this year. The prime rate is expected to average 16% in 1982 and 13.7% in 1983.

The panel expects companies to rely more heavily on internal funds for their financing needs during the next 12 months, with nearly half of the panelists expecting internal funds to rise by at least 5% in relation to their total corporate funds.

Net bond issues

As for external funds, the panel expects companies to continue their use of net bond issues and to no longer rely heavily on commercial paper.

The United States dollar is expected to weaken against the German mark, Japanese yen and Canadian dollar during the next six months, the survey finds, with the price of gold expected to rise against the United States dollar during this period. The Dow Jones index is expected to average 956 in 1982, advancing to 1,071 in 1983, according to the panel.

FUTURES

Two weeks ended Dec. 11, 1981

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan. '82	162.50	147.90	150.90	160.00	2,584	245.00	136.10
March	175.70	159.80	162.80	173.00	2,924	247.50	149.70
May	182.80	166.10	167.80	179.90	1,344	220.30	157.10
July	190.30	175.40	176.70	188.30	766	224.50	166.90
Sept.	196.20	182.50	184.70	196.00	431	229.50	171.50
Nov.	196.00	182.10	183.30	196.00	451	224.50	172.00
Jan. '83	204.00	188.90	191.00	204.00	378	205.50	184.00

Total Contract Vol. (Through 12/11): 23,435
Total Open Interest (As of 12/10): 8,884 — **Previous Week: 9,081**
Cash Price: $141.12 — **Previous Week: $142.10** — **Year Ago: $148.96**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan. '82	183.00	166.00	169.00	182.40	647	232.00	160.00
Jan. '82*	202.50	186.80	192.00	202.50	1,549*	244.00	180.30
March*	208.90	193.30	197.80	208.00	1,650*	252.00	187.50
May*	214.00	199.20	203.00	213.60	635*	241.00	194.00
July*	219.00	204.00	207.00	218.50	228*	219.00	200.20
Sept.*	224.50	209.50	211.50	222.00	291*	224.50	204.00
Nov.*	228.00	217.00	217.00	228.00	5*	228.00	217.00

*Revised Contract.

Total Contract Vol. (Through 12/11): 5,865
Total Open Interest (As of 12/10): 647 — **Previous Week: 811**
Cash Price: $188.16 — **Previous Week: $190.12** — **Year Ago: $217.56**

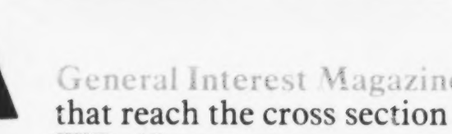
COMMODITY RESEARCH BUREAU INDEX:	This Week 255.1	Previous Week 264.8	Year Ago 295.1

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, Dec. 10.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Spring/Summer 1982
OVER 4 BILLION IMPRESSIONS
Aimed at your customers

National Network TV — spots on top rated, high visibility shows.

Weekend Supplements — more ads than ever build awareness.

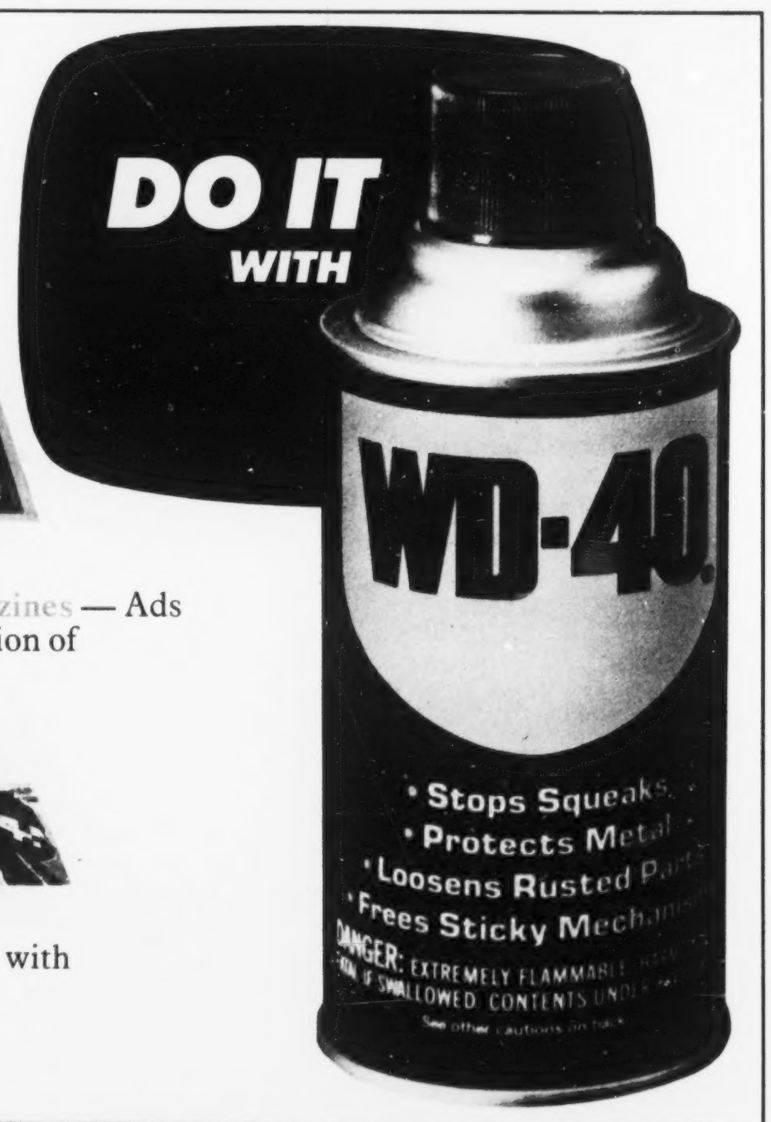


General Interest Magazines — Ads that reach the cross section of WD-40 customers.

Special Interest Magazines — Ads that reach the prime prospects that use WD-40.

And, WD-40 will support your merchandising efforts with advertising and promotional event allowances.
Contact your supplier for details today.

WD-40 Company, San Diego, CA 92110



Lumber photo feature pp.23-29

-1 C 5150-6 A -

National Home Center News®

Vol. 8, No. 2 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • January 18, 1982
$7 per year $2 per copy

Interest rates clamp lid on inventory levels

NATIONAL REPORT—Inventory levels at home centers around the country have dropped appreciably, or at least stabilized, as retailers continue to combat high interest rates on borrowed money by refining their inventory control methods.

For some, like Brookhart Building Centers, Colorado Springs, this means greater reliance on wholesalers and manufacturers to carry some of the burden. Wolohan Lumber, Saginaw, Mich., is among several chains that have stepped up management training programs. Companies such as Scotty's, Winter Haven, Fla., Forest City, Cleveland and Boise Cascade, Boise, Idaho are relying more heavily on market forecasts generated from newly installed computer systems in their respective distribution facilities.

Consumer concern about rising unemployment and continued uncertainty over the prospect of economic recovery have dampened retail demand for many products, causing inventories to back up through the manufacturer/wholesaler/retailer pipeline. According to the industry division of the Bureau of the Census, the book value of inventories for all manufacturers rose 8.6% to $278.4 billion in October, the most recent period for which figures were available, with the building materials category jumping about 12% to $22.5 billion.

While much building materials inventory is generally clogged at the producer end of the pipeline, many wholesalers, feeling competitive pressure, have tended to increase inventories—sometimes as much as 20%—and services to maintain ample business activity (*NHCN*, Oct. 26, 1981).

On the home center front, most dealers are making some headway in their attempts to run "lean and mean" with their stock, like the six-unit Brookhart, which has brought its inventory levels down 12% to about $3.5 million. Part of the reduction was attributed to the chain's move to increase the amount of business it does with co-op distributor Ace Hardware by 50% to $1.5 million.

Chain president Tom Watt said his two main concerns in determining what his inventory levels should be are profit margin and whether it is more profitable to buy merchandise directly or on a two-step basis. "I would like to pare off another $500,000 from our inventory," he said. "But we have to see what effect our actions this year have on our product mix."

Ed Seymour, president of 21-unit Forest City, said that through information gathered from the company's new computer-tracking system in its warehouse, the $110 million chain has been able to "eliminate a lot of fringe items, and has greatly reduced the carryover levels on seasonal products."

The $24 million in inventory the company carried at the end

(Continued on page 44)

Computers, training key to strategies

Inventory control now crucial

By John Caulfield, *NHCN field editor*

NATIONAL REPORT—Inventory control, often a neglected part of home center strategic planning, is becoming a critical issue for industry executives, some of whom now consider it their No. 1 priority.

Battered by high short-term borrowing costs over the past 18 months, chains are launching staff training programs, refining computerized information systems, and even hiring consultants in an effort to squeeze a greater return out of inventory assets.

The W. R. Grace group of home centers is due next month to begin sending key executives to "training schools," in order to develop their expertise in, among other things, inventory leveraging.

"As a basic strategy, approximately 80% of our capital is in our inventory," said retail executive vice president Robert Anderson, "and that's where

(Continued on page 44)

Stambaugh-Thompson's data processing manager, Sam Kaiser, is developing the chain's inventory control system with the help of a high-capacity computer. NHCN photo

Economy, expansion sink Conklin

By Tom Moloney
Special to NHCN

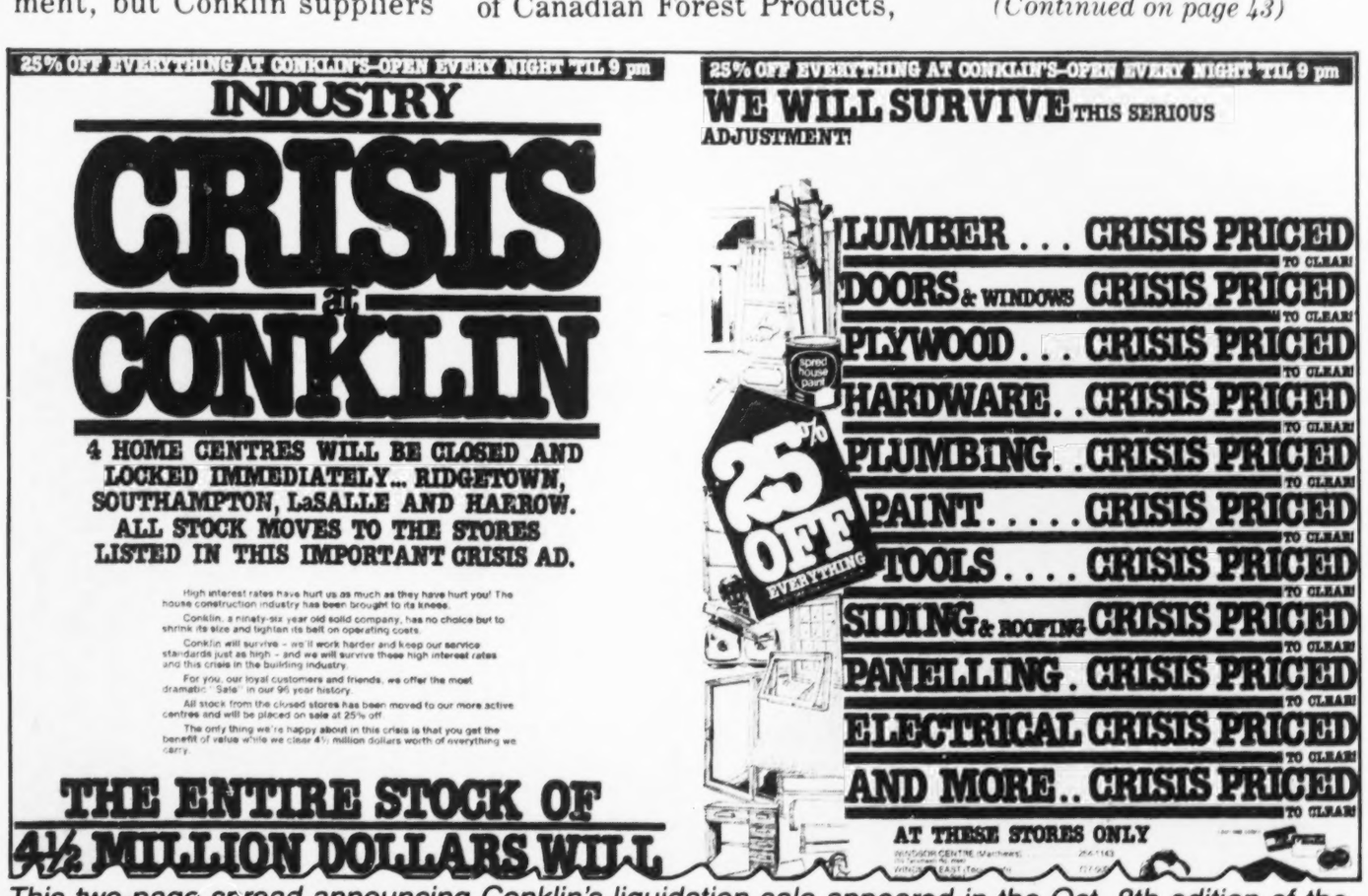
LONDON, Ontario—In a move that shocked many industry observers north of the border, Conklin Lumber, operator of 16 home centers in mid-1981, has gone into receivership and closed all but five of its stores.

Chain president Brian Davies was unavailable for comment, but Conklin suppliers and other Ontario industry observers attributed the company's plight to dismal economic conditions in its western Ontario market area and too rapid expansion.

"We had some indications that they were in trouble but the suddenness of the receivership action was a shock to most people," said David Parliament of Canadian Forest Products, speaking from the Vancouver-based firm's Toronto office. "They were extremely good customers and considered to be a growing company. They just chose the wrong time to expand. The company's expansion has been heavily financed for five years and that was a real killer," he said.

A spokesman for the Lumber

(Continued on page 43)


25% OFF EVERYTHING AT CONKLIN'S–OPEN EVERY NIGHT 'TIL 9 pm
INDUSTRY
CRISIS
at
CONKLIN
4 HOME CENTRES WILL BE CLOSED AND LOCKED IMMEDIATELY... RIDGETOWN, SOUTHAMPTON, LaSALLE AND HARROW. ALL STOCK MOVES TO THE STORES LISTED IN THIS IMPORTANT CRISIS AD.
High interest rates have hurt us as much as they have hurt you! The house construction industry has been brought to its knees.
Conklin, a ninety-six year old solid company, has no choice but to shrink its size and tighten its belt on operating costs.
Conklin will survive – we'll work harder and keep our service standards just as high – and we will survive these high interest rates and this crisis in the building industry.
For you, our loyal customers and friends, we offer the most dramatic "Sale" in our 96 year history.
All stock from the closed stores has been moved to our more active centres and will be placed on sale at 25% off.
The only thing we're happy about in this crisis is that you get the benefit of value while we clear 4½ million dollars worth of everything we carry.
THE ENTIRE STOCK OF
4½ MILLION DOLLARS WILL
25% OFF EVERYTHING AT CONKLIN'S–OPEN EVERY NIGHT 'TIL 9 pm
WE WILL SURVIVE THIS SERIOUS ADJUSTMENT
LUMBER . . . CRISIS PRICED TO CLEAR!
DOORS & WINDOWS CRISIS PRICED TO CLEAR!
PLYWOOD . . . CRISIS PRICED TO CLEAR!
HARDWARE . . CRISIS PRICED TO CLEAR!
PLUMBING . . CRISIS PRICED TO CLEAR!
PAINT . . . . . CRISIS PRICED TO CLEAR!
TOOLS . . . . CRISIS PRICED TO CLEAR!
SIDING & ROOFING CRISIS PRICED TO CLEAR!
PANELLING . CRISIS PRICED TO CLEAR!
ELECTRICAL CRISIS PRICED TO CLEAR!
AND MORE . . CRISIS PRICED TO CLEAR!
25% OFF EVERYTHING
AT THESE STORES ONLY

This two-page spread announcing Conklin's liquidation sale appeared in the Oct. 8th edition of the Kitchener-Waterloo Record. *Three-inch red letters underlined in black served to dramatize the event.*

NEWSBREAKS

ORIGINAL ERNST CLOSED. The first Ernst store, a downtown Seattle landmark for over 75 years, will be demolished by a wrecker's ball to make way for a high-rise. Company officials said the store closed Jan. 2, lowering the chain's unit total to 68. The adjoining Decatur Building will remain the corporate headquarters of parent Pay 'n Save.

LOWE'S DECEMBER SALES. Lowe's reported sales for December 1981 totaling $58.5 million, off 11% from $65.8 million in December 1980. Retail volume rose 11% to $34.7 million, while contractor business dropped 31% to $24.0 million. The retail/contractor mix was 59/41. Sales for the first 47 weeks of fiscal 1981 were up 3% to $839 million.

FTC ruling may endanger newspaper ad discounts

NATIONAL REPORT—Indications that the Federal Trade Commission may take action that would regulate newspaper advertising rates has raised concern among a number of home center and other major retailing chains across the country.

The retailers' fears stem from an FTC proposed consent order which Times Mirror reluctantly accepted last fall that restricts the discounts its flagship newspaper, the *Los Angeles Times*, may offer volume advertisers.

DIY dealers are worried that the FTC may be planning to pressure all newspapers into eliminating or reducing the discounts commonly given to large-volume advertisers.

The FTC order was filed in the Federal Register Oct. 1 and will not go into effect unless FTC commissioners formally adopt it. A decision was still pending at presstime.

Although the proposed order pertains only to the *Los Angeles Times*, an FTC lawyer in Washington, D.C., told *NHCN* "it's an open question whether the FTC's intent is to apply the principles of this case to other newspapers."

Critics of the FTC proposal assert the Federal agency is using the Times Mirror case as a test of its powers to regulate newspaper advertising.

The marketplace—not the

(Continued on page 43)

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Peavey closes 11 outlets in upper Midwest market

MINNEAPOLIS—Peavey is closing 11 of its 52 building supply stores in the upper Midwest by Feb. 1.

The affected locations are generally "marginal operations" in small markets, Peavey officials said.

While the company has been closing a few stores per year that did not meet its goal of boosting retail sales, the sluggish economy forced acceleration of that policy, officials said, as sales at contractor yards, particularly in agricultural markets, continued to decline.

Peavey's building supply sales were down 3% in fiscal 1981. Earnings were also off. Both sales and earnings continued to be down for the first quarter of the current fiscal year, which ended Oct. 31. The picture in 1980 was similar.

The decision to retrench coincided with the departure of Curtis Hedding, vice president of Peavey's building supply division, but was apparently unrelated. Hedding departed in November to start his own business. A successor is not expected to be named.

"It got to the point where a fair number of stores couldn't stand on their own two feet," said Jerome Trebil, Peavey vice president in charge of the company's retail group. "All we're doing is cleaning house a bit."

Since the 1970's, the grain merchandising company has tried to develop stronger retail sales in its building supply division. Last year, for example, it remodeled six stores.

The contractor portion of the business will not be abandoned entirely despite the mass closings, Terbil said, although plans for this year, while indefinite, call for opening more retail-oriented units.

"It's difficult to formulate an aggressive expansion program in this economy," said Trebil.

The 11 closed stores—five in

(Continued on page 43)

Peavey is closing 11 of its 52 building supply stores in rural, upper Midwest markets. Five units in North Dakota, four in Minnesota and two in South Dakota will be divested by Feb. 1.

Wickes seeks plan to ease debt

SAN DIEGO—Wickes Cos., predicting bleak results for the fiscal year ending Jan. 31, is seeking a formalized agreement with its short-term lenders that would set certain restrictions on the company while it works to reduce short-term debt.

A company spokesman called the proposed agreement a "prudent business decision" for Wickes, which has been operating at a loss since last year, and has experienced rapidly escalating short-term debt.

Wickes has been holding talks with its short-term lenders for the past few months. The company said it was uncertain whether the talks would result in a formal credit agreement, or what the consequences would be if an agreement was not reached.

Under the proposed agreement Wickes would:

- Not pay cash dividends on common stock;
- Limit short-term borrowings to present levels;
- Set restrictions on capital expenditures, investments and new indebtedness;
- Reduce short-term debt through a program of planned divestitures of some of Wickes' operations. Divestitures would also be used to generate some of the company's working capital needs.

The Wickes spokesman, Michael Sitrick, said the company was currently studying its various operations for possible divestiture.

Wickes reported it was holding talks with its short-term lenders in a third-quarter report filed with the Securities and Exchange Commission. In the report, the company said it expected results for the fourth quarter and fiscal year to be substantially below those of last year.

The report, which described the first month of the fourth quarter as "disappointing and below expectations," said that the company has also been hard hit by substantial interest charges.

For the nine months ended Oct. 31, Wickes' interest expense totaled $154 million, a $44 million increase over the

(Continued on page 44)

Construction rate falls 10% from Oct. to Nov.

NEW YORK—Still caught in its year-long tailspin, the housing industry plummeted again in November, as the value of residential construction contracts fell 10% to $3.7 billion.

Over the first 11 months of 1981, the cumulative value of residential construction dropped 3%, when compared to the same period in 1980, to $56.4 billion, according to data from F. W. Dodge, a division of McGraw-Hill's Information Systems.

The residential building decline reflects the chronic condition the entire construction industry was in last year. The annualized value of construction contracting fell 31% to $129 billion, compared with $187 billion a year ago. The cumulative value for 11 months was $136.9 billion, less than 1% above 1980 total for the same period.

"This year has been downhill all the way for the construction industry," said George Christie, Dodge's vice president and chief economist. "An early lead over 1980 was steadily eroded by high interest rates and budget cuts."

Christie indicated that housing also seemed to be lagging behind the slow but evident improvement in the overall economy, especially the slight drop in lending rates manifested over the past few months.

Handy City's new format emphasizes lumber, paint

NASHVILLE—Handy City is basing its stores' new look on its 36,000-sq.-ft. Rivergate unit here.

Company officials plan to have the new format, featuring lumber, paint and hard lines near the entrance, completed at each of its units during 1982. Handy City has already remerchandised about half of its stores.

Each store is getting its fixtures relaid, an interior painting, new graphics and specialty fixtures in a package that ranges from $20,000 to better than $100,000 per store, officials said.

It takes about a month to redo each outlet, but Handy City has been using more than one crew of workers to revamp the units.

No store is closed during the work.

"You remodel during store hours," a chain official related. "It doesn't hurt business when you're remodeling. It helps business."

With lumber, building materials and hard lines as the principal focus of the stores, chain officials feel its identity is now clear in the remodeled stores.

"We stopped expanding at Handy City in 1980 and 1981 except for one store that was supposed to open in 1979," said Grace's home center division president Frank Denny. "Once we feel we have things on an even keel, then we'll tackle new store expansion. That probably won't happen until 1983."

South shines

Starts up 1% from October low

WASHINGTON—If there was a bright spot in November's housing figures, it was the Sunbelt. New home starts, on a seasonally adjusted annual basis, were up 31% over October in the South.

That increase helped push the rate of total housing starts during November up 0.8% from October, the first monthly increase since July.

Nevertheless, November's annual rate of 871,000 starts was the third worst since the Commerce Department started keeping housing start records in 1959. October was the second worst month, with an 857,000-unit rate, rivaling the record low of 844,000 units set in October 1966.

Building starts are not expected to rise above an annual rate of 900,000 for at least a couple of months, according to Michael Sumichrast, executive vice president and chief economist of the National Assn. of Home Builders.

He noted, however, that the housing recession showed signs of bottoming out, despite the fact that the rate of permits issued for new home starts was down 1% in November, to 718,000 units, and 47% below the year-ago rate.

The rate of single-family home starts showed a 10% increase from October, to 560,000 units in November. The rate, however, was 45% below that posted in November 1980.

Permits for new single-family units remained relatively unchanged from October on a seasonally adjusted basis, although the 396,000-unit rate was half that of the previous November.

Starts in regions other than the South declined in November compared with the previous month. The North Central States recorded the least drop in overall starts, off 18% compared with October. That area, however, was down 60% from November 1980.

INSIDE

PEAVEY CLOSES 11 upper Midwest stores, p. 2. . . . **AMERICAN EXPRESS** woos home center retailers, p. 3. . . . **THE DO-IT-YOURSELF** market will come of age in 1982, predicts new executive editor Wyatt Kash, p. 11. . . . **LUMBER DEPARTMENTS** are being expanded at several major chains. A photo-report, pp. 23-29. . . . **COPYRIGHT CHANGES** cause static for stores that provide radio broadcasts for shoppers, p. 35. . . . **THE LEZZER BROTHERS** win their battle for paneling sales in a competitive Pennsylvania market, p. 40.

Ad Angles 21	Home Centers & the Law 35
Calendar 6	Letters 11
Classified Ads 42	New Products 33
Distributor's Forum .. 31	New Stores 6
Editorial 11	People 6
Financial News 41	Price Point Survey ... 21
Futures 40	

November housing activity

Data for actual new home starts and permits;
(Bold numbers in parentheses are seasonally adjusted annual rates)

	STARTS			PERMITS		
	November Starts in 1,000's	% Change from October	% Change from November '80	November Permits in 1,000's	% Change from October	% Change from November '80
Northeast	6.8 (79)	−38.0(−23.0)	−29.0(−28.0)	6.1 (76)	−41.0 (−29.0)	−37.0(−40.0)
North Central	10.0 (127)	−45.0(−18.0)	−59.0(−60.0)	7.8 (97)	−29.0 (− 7.0)	−55.0(−57.0)
South	36.2 (496)	− 1.0(+31.0)	−33.0(−35.0)	27.3 (372)	− 8.0 (+12.0)	−39.0(−42.0)
West	11.8 (169)	−43.0(−26.0)	−52.0(−54.0)	12.6 (173)	−13.0 (− 3.0)	−51.0(−53.0)
Total Housing	64.8 (871)	−25.0(+ 1.0)	−43.0(−44.0)	53.8 (718)	−19.0 (− 1.0)	−44.0(−47.0)
Single Family	39.7 (560)	−20.0(+10.0)	−44.0(−45.0)	28.0 (396)	−20.0 (− 1.0)	−49.0(−51.0)

Source: Department of Commerce; NHCN chart.

Sustained building activity in the South helped offset declines in the rate of new home starts elsewhere in the country. The 560,000-unit rate for single-family starts in November was up 10% from October.

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices.
Vol. 8, No. 2. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved.
Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 2 January 18, 1982